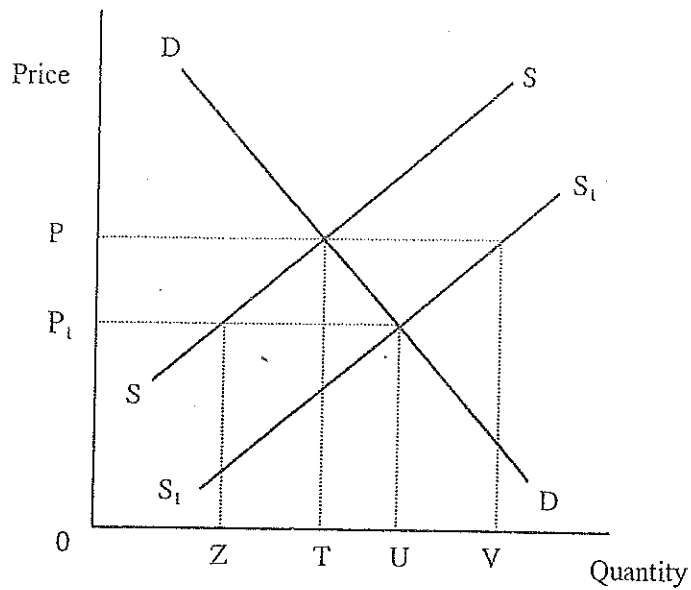


25. In the diagram below, DD and SS indicate the initial demand and supply curves for coffee beans.



Producers aim to stabilise price at  $OP$  the target price. If, subsequently, the supply of coffee beans increased to  $S_1$

- I.  $TV$  must be removed from the market to maintain the price of  $OP$ .
- II. the prices would fall to  $OP_1$ , without any intervention.
- III. the equilibrium output will increase from  $OZ$  to  $OT$ .

A. I only

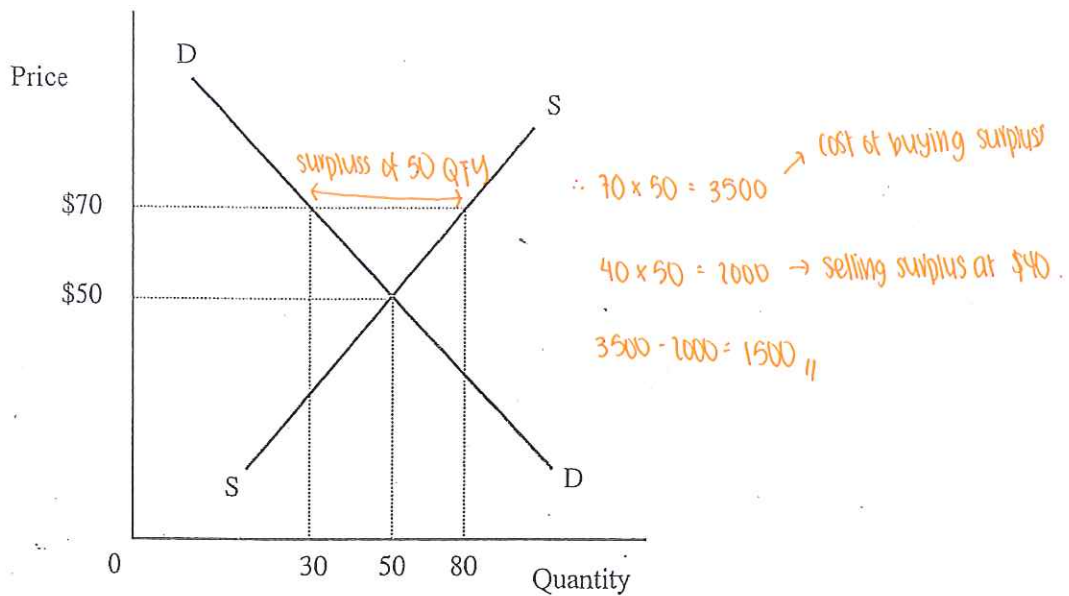
**B.** I and II only

C. II and III only

D. I, II and III



21. The following diagram represents the domestic demand and supply for wheat in a given country.



The government decides to support the price of wheat at \$70 per unit of output. It then sells the whole surplus in the export market for \$40 per unit of output. The cost of this scheme to the taxpayers will be

- ~~A~~ ~~B~~ ~~C~~ ~~D~~
- A. \$1500.
- B. \$2500.
- C. \$3500.
- D. \$5600.

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22. A parallel market for a product is most likely to arise as a result of

- ✓
- A. the setting of a minimum price above the equilibrium.
- B. a substantial shift of the demand curve to the right.
- C. a sudden reduction in supply.
- D. the imposition of a maximum price below the equilibrium.

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